

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 59th LEGISLATURE - REGULAR SESSION

COMMITTEE ON APPROPRIATIONS

Call to Order: By **CHAIRMAN ROSALIE (ROSIE) BUZZAS**, on January 20, 2005 at 2:50 P.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Rep. Rosalie (Rosie) Buzzas, Chairman (D)
Rep. Carol C. Juneau, Vice Chairman (D)
Rep. John E. Witt, Vice Chairman (R)
Rep. Tim Callahan (D)
Rep. Eve Franklin (D)
Rep. Ray Hawk (R)
Rep. Cynthia Hiner (D)
Rep. Verdell Jackson (R)
Rep. Joey Jayne (D)
Rep. Christine Kaufmann (D)
Rep. Ralph L. Lenhart (D)
Rep. Walter McNutt (R)
Rep. Penny Morgan (R)
Rep. John L. Musgrove (D)
Rep. Rick Ripley (R)
Rep. Jon C. Sesso (D)
Rep. John Sinrud (R)
Rep. Janna Taylor (R)
Rep. Jack Wells (R)

Members Excused: None.

Members Absent: Rep. Bill E. Glaser (R)

Staff Present: Marcy McLean, Committee Secretary
Jon Moe, Legislative Branch

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Report from Clayton Schenck, Legislative Fiscal Analyst, on Governor Schweitzer's budget revisions

CHAIR BUZZAS introduced **Clayton Schenck, Legislative Fiscal Analyst**, who would be presenting Governor Schweitzer's revisions to the 2007 biennium budget. Mr. Schenck began the meeting by thanking his staff for the prompt preparation of the Legislative Budget Analysis 2007 Biennium, Volume 5, Governor Schweitzer Budget Revisions and its Addendum.

[EXHIBIT\(aph15a01\)](#)

[EXHIBIT\(aph15a02\)](#)

[EXHIBIT\(aph15a03\)](#)

Clayton Schenck gave an overview of the budget revisions, explaining that they result in a net additional increase of \$83 million to the general fund. The major addition to Gov. Martz's budget is \$74 million in additional program funding, with \$40 million going to support public schools, \$7 million for economic development, and over \$10 million for increased support of human services programs. Additionally, the Schweitzer Budget proposes additional supplementals to pay off existing obligations. This includes moving the \$9 million payoff of the Crow Tribe settlement from the 2007 to the 2005 biennium, \$8.5 million for settlement of a lawsuit against the State by highway patrol officers (which had not been settled when Martz Budget was submitted), and \$13.9 million to pay off a Department of Revenue loan for a computer system. These budget revisions provide for a total funds increase of over \$117 million, which includes \$10 million in general fund revenue from the impact of I-149 (the tobacco and cigarette tax initiative). One of the biggest reprioritization to the Martz budget is moving the \$4.9 million designated for Shared Leadership Program (economic development through the university system) and moving it to a student assistance program within the university system.

Referring to Page 4 in Exhibit 1, Mr. Schenck said Gov. Schweitzer's proposed additional expenditures are 70% to schools and human services and another 10% to economic development. The Major General Fund Initiatives found on Page 5 shows the major increases within the functional areas and it shows nine initiatives, which comprise over 92% of the proposed increase. There is a similar table like this in the Volume 1 of the Martz Budget. Exhibit 3, "Major Factors-General Fund Increase" combines the two tables and shows that when you combine the Martz and the Schweitzer Budget initiatives together, it now comprises the full Schweitzer Budget.

{Tape: 1; Side: A; Approx. Time Counter: 0 - 12.8}

REP. WITT asked about money allocated for water adjudication. Mr. Schenck answered \$2 million has been budgeted for the biennium as a one-time expenditure, with \$400,00 to be spent to improve the database; Rep. McNutt's bill proposes to raise \$31 million for the project over a 15-year schedule. **REP. MORGAN** asked about the accuracy of projected revenues from I-149.

Terry Johnson, LFD, explained the projection was made based upon comparison with similar states where they found there to be a 29% decline in tobacco consumption.

Both the Martz and Schweitzer budgets recommend an ending fund balance of \$80 million. Martz's Budget was stated as \$162.2 million, recognizing that the education funding lawsuit and pay plan negotiations needed to be addressed. The 2005 Biennium projected ending general fund balance was \$46.2 million. This has been revised now to be \$158.4 million. Gov. Schweitzer's Budget results in an ending balance of \$84.2 million and when you factor in a ending fund balance reserve of \$80 million, there is still \$4.2 million available for legislative consideration. Concerns over accurate projections of I-149 revenue and interest income can result in changes to this number. Gov. Schweitzer proposes using one-time general fund revenues (the additional \$112.2 million from the re-calculated ending general fund balance) for one-time expenditures: deferred maintenance in the long range building program, paying of litigation settlements and loan obligations, computer systems enhancements, the Low Income Energy Assistance Program, equipment purchases, and emergency telecommunications infrastructure. This total of \$96.4 million plus an increase of \$33.8 million to the ending fund balance (to bring it to \$80 million) equals the \$130 million of one-time-only initiatives.

On Page 15 of Exhibit 1, the table shows an increase of \$812 million, or 11.85%, in all funds from the 2005 to 2007 biennium. This compares to a \$692 million, or 10.1% increase, in the Martz budget. The Schweitzer proposals increase general fund expenditures by 2.2% and total expenditures by 1.7% over the Martz budget.

REP. SINRUD asked about HB 5. Mr. Schenck explained that HB 5 is the long-range planning bill. A legal review determined that since the bill has an immediate effective date in fiscal year 2005, the budget authority must be applied to the base biennium according to the statutory definition, resulting in a higher expenditure limit. Not all expenditures will be in prior to the new budget year. In this situation, legal issues take precedent over accounting procedures.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 8.3}

REP. JAYNE asked about the numerous supplemental appropriations in Gov. Schweitzer's budget. Mr. Schenck explained that in the past 10 bienniums there has been an average of \$25 million for supplementals. This excludes wildfire costs, which typically average \$14 million per biennium.

REP. BUZZAS asked if status reports would be coming soon and Mr. Schenck said the committee could expect to see them on Friday, January 28th.

ADJOURNMENT

Adjournment: 3:45 P.M.

REP. ROSALIE (ROSIE) BUZZAS, Chairman

MARCY MCLEAN, Secretary

RB/MM

Additional Exhibits:

EXHIBIT ([aph15aad0.TIF](#))